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SUBJECT: ENGAGEMENT ON CAMBODIAN TRADE REFORM GETS A BOOST FROM TIFA

REF: PHNOM PENH 345

**¶11.** Summary. Cambodian government officials once again displayed open and engaged attitudes during recent trade consultations with U.S. Trade Representative (USTR) official David Bisbee. Commerce Minister Cham Prasidh highlighted the recent passage of legislation on key economic topics and agreed to speak out in favor of a successful conclusion to the Doha round of the World Trade Organization. Prasidh also appealed for greater trade preferences for Cambodian garments and other LDC products. Commerce ministry officials asked for technical assistance on a variety of topics from E-Commerce laws to intellectual property enforcement. A Ministry of Labor official reported that a key USG concern surrounding Cambodia's groundbreaking Arbitration Council had been resolved, and pledged to take concrete steps to certify more unions as most representative. End Summary.

**¶12.** In February 2007, the U.S. and Cambodia held their first Trade and Investment Framework Agreement (TIFA) Joint Council meeting in Siem Reap, a very successful event which exceeded USG expectations (reftel). David Bisbee, USTR Director for Southeast Asia, returned to Cambodia July 5-6 to discuss progress on issues raised in the TIFA Joint Council and other trade issues.

Commerce Officials Tout TIFA Progress, Request Assistance

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**¶13.** Two top Ministry of Commerce officials, Minister Cham Prasidh and Secretary of State Pan Sorasak, highlighted progress Cambodia has made in implementing the TIFA action plan. The action plan was developed by USTR in consultation with the Cambodian government following the February 2007 TIFA Joint Council meeting. It tracks and supports fulfillment of Cambodia's WTO commitments and its broader trade facilitation and economic reform program. In the past six months, the National Assembly has passed the Customs Law, Civil Code, and Secured Transactions Law--all action plan items. In addition, other donors are also supporting trade reform efforts in Cambodia via the Enhanced Integrated Framework, a multi-agency, multi-donor World Trade Organization initiative to help least developed countries use the multilateral trading system to their advantage to increase market access and ultimately reduce poverty.

**¶14.** Encouraging the government to speed up vetting of the large number of draft laws awaiting ministerial review and parliamentary action is another important element of the action plan. Both Prasidh and Sorasak saw value in the U.S. suggestion to use the TIFA or consider other ways to better engage the RGC law-making machinery in economic and trade reform. Both sides agreed to develop specific

proposals for discussion at a later date.

¶15. Prasidh expressed his desire to see more capacity building work being carried out under the TIFA. Cambodia is interested in additional USG assistance in a number of trade-related areas, including: creating a legal framework for E-Commerce; additional practical training in intellectual property enforcement and administration; capacity building to meet sanitary and phyto-sanitary standards and other technical standards in key export markets; and assistance with broader reforms in the banking sector and judiciary.

Commerce Minister on Trade Preferences, Doha Conclusion

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¶16. Prasidh also encouraged the United States to extend greater trade preferences to Asian LDCs, particularly for garments and apparel. Cambodia has established a thriving garment sector but struggles to compete with China and with other LDCs that have preferential access to the U.S. market. (Note: Minister Prasidh and representatives from the Garment Manufacturers Association of Cambodia traveled to Washington in mid-July to meet with Administration and Congressional leaders on this topic, including Rep. Jim McDermott, sponsor of an LDC trade preferences bill. End Note.)

¶17. Prasidh also agreed to advocate for a successful outcome to the Doha negotiations on behalf of Cambodia and other LDCs. As a recently acceded WTO member, Cambodia has undertaken greater trade liberalization commitments than many older WTO members and hopes that the round will lead to greater market access in developing countries as well as in developed ones. Cambodian trade officials admit that market access barriers in India and China inhibit meaningful increases in exports to those markets, which if addressed

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could reduce Cambodia's dependence on the U.S. and EU markets.

Progress on IPR Legal Framework

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¶18. Var Roth San, Director of the Intellectual Property Department of the Ministry of Commerce, thanked the USG for its comments on Cambodia's intellectual property laws. He explained that Cambodia was working to reconcile the EU technical assistance on the draft law on geographical indicators with the U.S. comments provided on the draft, noting the different approaches taken by the U.S. and EU. Var also requested U.S. assistance in creating the necessary legal framework to combat optical media piracy, indicating that he would like to consider drafting an optical media law.

Labor Concerns Focus on Most Representative Unions

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¶19. Seng Sakda, Director General at the Ministry of Labor and Vocational Training, was pleased to report that one of the key labor-related issues discussed in the February TIFA meeting--the continued operation of Cambodia's innovative Arbitration Council--has been resolved.

¶10. Another key concern raised in February's TIFA discussion was the proliferation of multiple unions at each garment factory, a situation which fuels inter-union rivalry, harassment, and violence, and hampers collective bargaining. USTR Director and Econoff encouraged Sakda to take the first step towards certifying more unions as most representative by auditing the existing, out-of-date unofficial list of most representative unions and creating an updated authoritative version. They conveyed the American Center for International Labor Solidarity's willingness to assist in this effort, and both sides agreed that an updated list would be completed by late August. This list is still outstanding.

COMMENT

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¶11. The productive discussions and proactive engagement by

Cambodian officials during USTR Director Bisbee's visit demonstrate Cambodia's commitment to the TIFA process and its effort to strengthen the economic partnership with the United States. Cambodian officials are aware of current global trade dynamics and are ambitious and relatively sophisticated in their approach to making the best of their situation given very real capacity constraints.

¶12. Although the United States is Cambodia's most important trading partner, many other actors are far more involved in helping Cambodia shape its economic future through technical assistance, training, and economic partnerships. While it is a small economy, Cambodia's growth rates have been among the world's highest over the past two years--13.5 percent in 2005 and 10.8 percent in 2006. Cambodia's booming economy and trading potential demonstrate that requests for technical assistance warrant serious consideration by Washington agencies.